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MT LEGISLATIVE HISTORY

Chapter 654 1987

Bill H _____ S 71 Original bill & hist. ✓C

H. Committee on Taxation

Hearing Date(s) _____ C
3/6 ✓C
_____ C
_____ C

Date Out 4/6 ✓C

S. Committee on Taxation

Hearing Date(s) _____ C
1/15 ✓C
1/20 ✓C
2/2 ✓C

_____ C

Did this bill originate in an interim committee? ___Yes ✓No ★

Committee _____ Report _____

★ Initiative #105

SENATE BILL NO. 71

INTRODUCED BY GAGE, HOFMAN, KEATING

IN THE SENATE

JANUARY 8, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
JANUARY 20, 1987	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 21, 1987	PRINTING REPORT.
JANUARY 22, 1987	ON MOTION, TAKEN FROM SECOND READING AND REREFERRED TO COMMITTEE ON TAXATION.
FEBRUARY 19, 1987	ON MOTION, TAKEN FROM COMMITTEE ON TAXATION, AS AMENDED, PRINTED, AND PLACED ON SECOND READING.
FEBRUARY 20, 1987	PRINTING REPORT.
FEBRUARY 21, 1987	SECOND READING, DO PASS.
FEBRUARY 23, 1987	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 33; NOES, 16.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 24, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
APRIL 6, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 9, 1987	SECOND READING, CONCURRED IN.
APRIL 10, 1987	ON MOTION, TAKEN FROM THIRD READING AND PLACED ON SECOND READING.
	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
APRIL 11, 1987	SECOND READING, CONCURRED IN AS AMENDED.
APRIL 14, 1987	THIRD READING, CONCURRED IN. AYES, 89; NOES, 10.
	RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

APRIL 16, 1987	RECEIVED FROM HOUSE.
	SECOND READING, AMENDMENTS CONCURRED IN.
	ON MOTION, SEGREGATED FROM COMMITTEE OF THE WHOLE REPORT.
APRIL 17, 1987	SECOND READING, AMENDMENTS NOT CONCURRED IN.
	ON MOTION, FREE CONFERENCE COMMITTEE REQUESTED AND APPOINTED.

IN THE HOUSE

APRIL 21, 1987 — ON MOTION, FREE CONFERENCE COMMITTEE REQUESTED AND APPOINTED.

IN THE SENATE

APRIL 22, 1987 — FREE CONFERENCE COMMITTEE REPORTED.

ON MOTION, RULES SUSPENDED TO PLACE BILL ON SECOND READING THIS DAY.

SECOND READING, FREE CONFERENCE COMMITTEE REPORT ADOPTED.

ON MOTION, RULES SUSPENDED TO PLACE BILL ON THIRD READING THIS DAY.

THIRD READING, FREE CONFERENCE COMMITTEE REPORT ADOPTED.

IN THE HOUSE

APRIL 22, 1987 — FREE CONFERENCE COMMITTEE REPORT ADOPTED.

IN THE SENATE

APRIL 23, 1987 — SENT TO ENROLLING.

DRAFT

Senate BILL NO. 71

INTRODUCED BY Dep Senator Keating

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND 15-6-145 THROUGH 15-6-149, MCA; AND PROVIDING A CONTINGENT EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Property tax limited to 1986 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and 15-6-145 through 15-6-149 may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) is subject to taxation at 1986 levels.

LC 0189/01

(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.

Section 2. Contingent effective date. (1) Except as provided in subsection (2), this act is effective July 1, 1987, and applies to taxable year 1987.

(2) This act will not become effective if, prior to July 1, 1987, an act is passed and approved that:

(a) states that it is being enacted in response to this act;

(b) reduces property tax on a statewide basis on property described in 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and 15-6-145 through 15-6-149; and

(c) establishes alternative revenue sources to replace revenue lost to local governments, school districts, the university system, and other property taxing jurisdictions as a result of the reduced property taxes.

-End-

INTRODUCED BILL
SB-71

SENATE BILL NO. 71

INTRODUCED BY GAGE, HOFMAN, KEATING

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND 15-6-145 THROUGH 15-6-149, MCA; CLARIFYING PROVISIONS OF INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA; AND PROVIDING ~~A--CONTINGENT~~ AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

WHEREAS, THE ELECTORS OF MONTANA APPROVED INITIATIVE NO. 105, LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS UNLESS THE LEGISLATURE REDUCES PROPERTY TAXES PRIOR TO JULY 1, 1987, AND ESTABLISHES ALTERNATIVE REVENUE SOURCES; AND

WHEREAS, INITIATIVE NO. 105 WAS NOT INTENDED BY ITS DRAFTERS AND PROPONENTS TO ENCOMPASS THE NUMEROUS INTERCONNECTING STATUTORY PROVISIONS THAT WOULD REQUIRE AMENDMENT TO FACILITATE IMPLEMENTATION OF THE MEASURE; AND

WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ENACT PROVISIONS COMPATIBLE WITH THE WILL OF THE ELECTORS IN LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS WHILE PROVIDING PROCEDURES TO ENABLE THE DEPARTMENT OF REVENUE AND LOCAL GOVERNMENT UNITS TO FUNCTION SMOOTHLY UNDER SUCH LIMITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

(Refer to Third Reading Bill)

Strike everything after the enacting clause and insert:

Section 1. Declaration of policy -- clarification -- extension to all property classes. [Section 1 of Initiative No. 105] is interpreted, clarified, and extended as follows:

(1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in [Initiative No. 105], the limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The policy declaration in [subsection (5) of section 1 of Initiative No. 105] that no further property tax increases be imposed is interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986.

(3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986.

Section 2. Property tax limited to 1986 levels --

SB 71
REFERENCE BILL: Includes Free Conference Committee Report
Dated 4-20-87

clarification -- extension to all property classes. [Section 2 of Initiative No. 105] is interpreted and clarified as follows:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that the actual tax liability for an individual property is capped at the dollar amount due each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

(3) The limitation on the amount of taxes levied does not mean that no further increase may be made in the total taxable valuation of a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or

15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) construction, expansion, replacement, or remodeling of improvements that adds value to the property;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

(5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the

reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by [Initiative No. 105] except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in [Initiative No. 105], while understanding

that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of [Initiative No. 105]:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) electric company street lighting assessments; and

(h) revolving funds to support any categories specified in this subsection (8).

(9) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES

NOT APPLY IN A TAXING UNIT IF THE VOTERS IN THE TAXING UNIT APPROVE AN INCREASE IN TAX LIABILITY FOLLOWING A RESOLUTION OF THE GOVERNING BODY OF THE TAXING UNIT CONTAINING:

(A) A FINDING THAT THERE ARE INSUFFICIENT FUNDS TO ADEQUATELY OPERATE THE TAXING UNIT AS A RESULT OF INITIATIVE NO. 105;

(B) AN EXPLANATION OF THE NATURE OF THE FINANCIAL EMERGENCY;

(C) AN ESTIMATE OF THE AMOUNT OF FUNDING SHORTFALL EXPECTED BY THE TAXING UNIT;

(D) A STATEMENT THAT APPLICABLE FUND BALANCES ARE OR BY THE END OF THE FISCAL YEAR WILL BE DEPLETED;

(E) A FINDING THAT THERE ARE NO ALTERNATIVE SOURCES OF REVENUE;

(F) A SUMMARY OF THE ALTERNATIVES THAT THE GOVERNING BODY OF THE TAXING UNIT HAS CONSIDERED; AND

(G) A STATEMENT OF THE NEED FOR THE INCREASED REVENUE AND HOW IT WILL BE USED.

(10) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES NOT APPLY TO LEVIES REQUIRED TO ADDRESS THE FUNDING OF RELIEF OF SUFFERING OF INHABITANTS CAUSED BY FAMINE, CONFLAGRATION, OR OTHER PUBLIC CALAMITY.

Section 3. Codification instruction. Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 10, and the provisions of Title 15, chapter 10,

apply to sections 1 and 2.

Section 4. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 5. Effective date -- applicability. (1) This act is effective on passage and approval.

(2) This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986.

Section 6. Termination. This act terminates December 31, 1989.

-End-

MONTANA STATE SENATE

TAXATION COMMITTEE

50TH LEGISLATURE

COMMITTEE MEMBERS: Senator George McCallum, Chairman
Senator Mike Halligan, V. Chairman
Senator Al Bishop
Senator Bob Brown
Senator Bruce Crippen
Senator Dorothy Eck
Senator Tom Hager
Senator Les Hirsch
Senator Ray Lybeck
Senator Joe Mazurek
Senator Ted Neuman
Senator Elmer Severson

STAFF ATTORNEY: Jim Lear

COMMITTEE SECRETARY: Aggie Hamilton

BOOK: 1 of 3

INCLUSIVE DATES: January 6 - February 25, 1987

COMMITTEE ON TAXATION RUN DATE: 04/22/87

CHAIRMAN--SEN. GEORGE MCCALLUM SECRETARY-AGGIE HAMILTON
NORMAL SCHEDULE==> SITE: ROOM 413/415 DAYS: MON THRU FRI TIME: 8:00 A.M.

--BILL NO---	REFER DATE---	HEARING DATE---	CONSIDERATION DATES----------	COMMITTEE ACTION----------	REREFERRED TO COMM----	DATE OUT-
SB0045 WILLIAMS, BOB	1/06	1/13	1/30 SUBJECT THE GROSS PROCEEDS OF GEMSTONE MINES TO TAXATION	ADVERSE REPORT		2/2
SB0047 GAGE, DELWYN	1/06	1/13	STATE-TRIBAL COOPERATIVE AGREEMENTS TO ASSESS AND COLLECT TAXES	PASS AS AMENDED		1/13
SB0055 STORY, PETER B.	1/06		REVISING RESORT COMMUNITY DEFINITION		LOCAL GOVERNMENT	1/13
SB0056 KEATING, THOMAS F.	1/06		REVISE COAL TAX BASED ON COAL TYPE AND PRODUCTION METHOD -- REPEAL "WINDOW"			
SB0060 HALLIGAN, MIKE	1/07	1/14	INCREASE TAX INCENTIVES ALLOWED INVESTOR IN MONTANA CAPITAL COMPANY	TABLED 2/2		
SB0061 HALLIGAN, MIKE	1/07	1/14	PROVIDING CORP. LICENSE & INCOME TAX EXEMPTION FOR NEW CORPORATIONS	TABLED 1/16		
SB0063 GAGE, DELWYN	1/19	1/23	1/28 CLARIFY PROCEDURE FOR ASSESSING PERSONAL PROPERTY	PASS AS AMENDED		2/3
SB0064 HALLIGAN, MIKE	1/08	1/15	SPECIAL TAX BENEFITS FOR RESEARCH AND DEVELOPMENT FIRMS	PASS AS AMENDED		1/20
SB0066 GAGE, DELWYN	1/07	3/03	REDEFINE NEW PRODUCTION FOR PURPOSES OF THE NET PROCEEDS TAX ON OIL AND GAS	PASS AS AMENDED		3/6
✓ SB0071 GAGE, DELWYN	1/09	1/15	IMPOSING A FREEZE ON PROPERTY TAXES FOR PROPERTY NOT COVERED BY I-105	DO PASS	TAXATION	1/20
SB0071 GAGE, DELWYN	1/22		IMPOSING A FREEZE ON PROPERTY TAXES FOR PROPERTY NOT COVERED BY I-105	TABLED 2/2, 2/13		

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 15, 1987

The sixth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on January 15, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 71: Senator Gage, Senate District 5, presented this bill to the committee. He stated this is a fairness issue and that is what brought the bill into being. I-105 passed in the last election freezing six classes of property in the State of Montana. This bill puts the remaining 13 classes of property in the same category as the those in I-105. It really doesn't have anything to do with what is in those classes, but is simply to treat those classes fairly. Should someone be faced with paying a higher millage on a class that is not covered in I-105 and took it to court, the courts would say you can't put more mills on one class of property than another.

PROPONENTS: Dennis Burr, representing the Montana Taxpayers Association, gave testimony in support of this bill. He stated that he thinks I-105 freezes the taxes on most of the property that this bill considers in that the mill that you had last year is the same as next year and it is illegal to charge different millage to different types of property. They audit local governments and there are some problems with legality of mill levies. This will have to be challenged unless something like this is done. He does not think this is the ultimate answer to I-105. This has to be done to keep local governments from trying to put different millage on different property.

James D. Mockler, Executive Director, Montana Coal Council, gave testimony in support of this bill. He stated we do not have a problem in the counties that we operate on assessed taxes but we do feel that it would be nice to be treated as the rest of the taxpayers. If we have a problem we have to go to court.

Gary Langley, Executive Director, Montana Mining Assn., gave testimony in support of this bill. He stated that

we believe, for the sake of equity, that the mining industry should be treated the same as everyone else.

Janelle Fallan, Montana Petroleum, gave testimony in support of this bill. She stated there is a real concern for the reasons addressed and for that reason she supports this bill.

OPPONENTS: Don Judge, Montana State AFL-CIO, gave testimony in opposition to this bill. Their arguments against this bill are the same as against I-105. That soon we would be faced with lawsuits by the corporations of the state of Montana declaring that there would be discrimination in taxation. It is their assumption that the fiscal impact on state and local governments and school districts across the state of Montana will be impacted significantly if this legislation is passed as opposed to simply I-105. He stated with the fiscal impact facing this state this bill should be given a do not pass.

Alec Hansen, Montana League of Cities and Towns, gave testimony in opposition to this bill. He stated Representative Bardanouve said that I-105 is Pandora's Box but to me it is more like a house of mirrors. Every time you look at it you see something different. This question of tax equity is just one of the problems with I-105. He has no problem with what Senator Gage is proposing but he thinks the legislature should come up with a tax reform package that will comply with what the voters are trying to say in I-105.

Alan Tandy, City Administrator of Billings, gave testimony in opposition to this bill. He stated I-105 was intended to send a message to the legislature. He would prefer to see energy put into tax reform than to simply extend the message to include other classes of property. I-105 has been acknowledged to be flawed in the area of annexing property.

Eric Feaver, President, Montana Education Association, gave testimony in opposition to this bill. He stated we were one of the groups that worked the hardest against I-27 and even harder against I-105. This bill is one effect of I-105. We must come up with a response to I-105 and eliminate legal action that may ensue but SB 71 is not that substantive response.

Greg Groepper, Administrator, Property Assessment Division, representing the Department of Revenue, gave some technical comments to the committee on this bill.

He stated many of the people at this hearing have addressed the same points. Senator Gage's intent with this bill is an issue of fairness and the result of what will happen as we proceed down the path of I-105. You cannot apply different mill levies to different types of property. This is a fundamental problem that the sponsor of I-105 did not leave direction on how to address. There will be substantial litigation unless you take a look at this and address this issue. There is a fundamental question of whether they can come up with a way of addressing how to allocate the mills when you freeze a certain amount of property. Another issue to address and consider is what to do in a county where the tax base has been severally eroded in loss of oil production or so forth. How will they recover that revenue.

QUESTIONS FROM THE COMMITTEE: Senator Crippen asked Mr. Tandy if section 2(c) addressed his concerns that this bill would not be effective if the alternative revenue sources to replace revenue lost were established.

Mr. Alan Tandy said yes if the legislature takes that action. Our concern is in taking this series of action first. My primary point was in a tax increment district do you freeze the mills or do you freeze the valuation. He reviewed the workings of a tax increment district in relation to taxes. In a tax increment district there is a value amount placed on the district. Thereafter, any increase in taxable value, the mills that are left by the increment value in the district, goes into a district fund that is used to improve the taxable value of the district. This is allowed until the expiration of the district.

Senator Crippen said then we do have instances now where we have a freeze on property.

Senator Eck asked Jim Lear if what the committee was really addressing with this bill is an initiative that was passed and that proposal is unconstitutional.

Jim Lear said he did not have a ready answer as to whether or not this would be constitutional by itself.

Senator Eck said isn't this bill before us the same language as in I-105 other than the classification of property.

Jim Lear said he did not draft this bill. He said it seems to be parallel to the language in I-105.

Senator Lybeck said he realizes that we did not get a fiscal note and the reason for that. He asked Senator Gage if he had some idea of the impact of this bill.

Senator Gage said if you assume that local and state spending is going to continue to escalate then this has a fiscal impact. If we assume we can hold the line this has no impact at all.

Senator Crippen said we obviously have a problem as evidenced by I-27 and I-105, that the people of this state feel that property tax is too high. He asked Mr. Judge what he had to offer to alleviate the problem.

Mr. Judge said our legislature for the state of Montana and the citizens of the state of Montana made an assumption that he thinks is fundamentally incorrect. People are assuming that we are the only state that is suffering economically. There are thirty-one states that are in as bad a shape or worse than Montana. That has to do with things that are happening outside the boundaries of the state and worldwide on economy. He would suggest looking to those areas to tax people who are doing okay in the state and who are able to pay. We agree there is a property tax problem in Montana and we want to do what we can to assist the legislature in coming up with a response to that. Farmers would be willing to pay taxes on income but they have no income and couldn't pay a sales tax.

Senator Gage closed by stating I-105 is reality. We have to deal with that whether this bill passes or not. All we are asking is to put everybody on the same level

Hearing closed on SB 71.

CONSIDERATION OF SB 64: Senator Halligan, Senate District 29, presented this bill to committee. He said this bill is merely the culmination of the tax conference in early September. Our economic development seems to be tied to transportation in and out of the state. Montana ranks very highly with respect to virtually all other services. In looking at research and development firms they do not rely on transportation. This bill is an act providing a 5-year corporation license tax exemption for research and development firms and classifying all property owned

ROLL CALL

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 1-15-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

DATE January 15, 1987

COMMITTEE ON Senate Taxation

VISITORS' REGISTER SB64/SB71

NAME	REPRESENTING	BILL #	Check One: Support	Oppose
Amy Sturgis	DOR	SB71		
Ed Dean	MEA	SB71		
Marvin Barber	assessors assoc	SB71	✓	
Don Seyda	Mt Chamber of Commerce	SB64/71		
Dennis Burr	MonTax	SB71	✓	
Alan Tardy	City of Billings	SB71		
[illegible]	Mt Petroleum	SB71	—	
[illegible]	MT. Coal Council	SB71	—	
Tom McCue	MT Beef	SB71		
Dave Hunter	MLCT	SB71		
Bill Verwolf	City of Helena	SB71		
Mary A. Lamalie	Mont. Mining Assn	SB71	✓	
Jeff Jentzsch	State Filming	SB71		
Don Judge	MT STATE AFL-CIO	SB71		

(Please leave prepared statement with Secretary)

brought in to make the proposal a better proposal. Any concerns over the bond question should not be addressed with this bill. We can keep the statute by our vote on the floor of future legislatures and he would think they would be responsible enough people for the integrity of the state to remain intact.

Senator Mazurek's motion to adopt the amendments carried with Senator Eck and Senator Mazurek opposed.

Senator Eck made a motion that SB 3 DO NOT PASS AS AMENDED. The motion carried 8-4. See attached Roll Call Vote.

DISPOSITION OF SB 71: Senator Mazurek made a motion that SB 71 DO PASS. The motion carried 8-4. See attached Roll Call Vote.

ADJOURNMENT: There being no further business the meeting adjourned at 9:30 A.M.

George McCallum

SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 1-20-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date January 20, 1987 Bill No. SB 71 Time 9:25 A.M.

NAME	YES	NO
SENATOR CRIPPEN	✓	
SENATOR NEUMAN		✓
SENATOR SEVERSON	✓	
SENATOR LYBECK		✓
SENATOR HAGER	✓	
SENATOR MAZUREK	✓	
SENATOR ECK		✓
SENATOR BROWN		✓
SENATOR HIRSCH	✓	
SENATOR BISHOP	✓	
SENATOR HALLIGAN, VICE CHAIRMAN	✓	
SENATOR McCALLUM, CHAIRMAN	✓	

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Mazurek's motion that SB 71 DO PASS.

The motion carried 8-4.

1987

STANDING COMMITTEE REPORT

January 20, 19 87

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration SENATE BILL No. 71

first reading copy (white color)

IMPOSING A FREEZE ON PROPERTY TAXES FOR PROPERTY NOT COVERED BY I-105

Respectfully report as follows: That SENATE BILL No. 71

DO PASS

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM, Chairman.

Senator Mazurek made a motion that SJR 7 be tabled and that the chairman be authorized to write a letter to the Department requesting the substance of what this resolution says. The motion carried. See attached Exhibit 3 for the letter written to the Department.

DISPOSITION OF SB 71: Senator Neuman said he looked over the amendments that Senator Gage proposed on the floor. He thinks what happens if you pass this bill, then you compound the problem of I-105. It won't make it any better.

Senator Brown said he did not think we needed to pass this bill. The I-105 people made law with this initiative on the property tax reforms they voted on. When the people passed it during the election that is what they voted for, the property included in I-105.

Senator Mazurek asked if anyone knew why the drafters of I-105 left out the other property that is addressed in Senator Gage's bill.

Senator Eck said she thought they wanted to come out with a property tax relief for the state that would effect more of the people and not so much of the industry. Also, she said there is a lot of natural fluctuation in the property in Senator Gage's bill that would not be appropriate to freeze.

Senator Brown made a motion that SB 71 BE LAID ON THE TABLE. The motion carried unanimously.

ADJOURNMENT: The meeting adjourned at 9:25 A.M.

George McCallum

SENATOR GEORGE McCALLUM, Chairman

ah

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 2-2-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

STATUS SHEET

50th LEGISLATIVE SESSION

TAXATION COMMITTEE HOUSE

SENATE BILL NUMBER	ENTERED COM. DATE	DATE CON-SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON-CURRED IN DATE	BE NOT CON-CURRED IN DATE	BE CON-CURRED IN AMENDED DATE	BE NOT CONCURR IN AS AMENDE DATE
1	2/4/87	3/5/87	4/6/87	tabled							
3	2/4/87	3/4/87								4/7/87	
12	3/17/87	3/30/87	4/7/87	tabled							
22	2/18/87	3/10/87								4/9/87	
26	2/4/87	3/3/87						3/3/87			
36	3/3/87	3/25/87						4/7/87			
44	2/18/87	3/10/87								4/6/87	
47	2/4/87	3/12/87							3/16/87		
55	2/4/87	3/4/87	4/9/87	tabled							
64	2/4/87	3/12/87						4/6/87			
✓ 71	2/24/87	3/12/87								4/6/87	
74	2/23/87	3/13/87								4/9/87	
100	2/18/87	3/3/87						4/7/87			
116	2/18/87	3/13/87	4/8/87	tabled							

CLOSING ON SENATE BILL NO. 64: Sen. Halligan stated there is a need to adopt legislation specific and unique to Montana that can be tracked, and if it doesn't work, the Legislature will know.

CONSIDERATION OF SENATE BILL NO. 71: Sen. Del Gage, Senate District #5, said the bill is a reaction to I-105, and puts a freeze on 13 classes of property. He explained that during a Fall, 1986, legislative hearing, one of the proponents of the Initiative explained it. Sen. Gage said he found most persons voting for I-105 thought all classes of property were included.

PROPONENTS OF SENATE BILL NO. 71: Robert Helding, Montana Association of Realtors, stated his support of the bill.

Keith Anderson, President, Montana Taxpayers Association, said the Attorney General issued an opinion that there are problems with including only certain classes of property in the bill.

Gordon Morris, Montana Association of Counties, said there is no way to address a selective freeze in the counties, and that HB 575 goes farther than SB 71 does. He commented the two bills need to be incorporated.

Tom Roth, Montana Auto Dealers Association, stated his support of the bill.

OPPONENTS OF SENATE BILL NO. 71: There were no opponents of the bill.

QUESTIONS ON SENATE BILL NO. 71: Rep. Williams asked if the mill levy were frozen only on class 1 and 2 property. Sen. Gage replied that would be correct.

Rep. Harp asked how the seven oil-producing counties would function, in view of the predicted $400 million drop in net proceeds for next year. Gordon Morris replied that, actually nine counties would be seriously affected, because the loss cannot be offset with increased mills. He advised a $17 million loss is anticipated for Rep. Gilbert's county, with no alternatives to offsetting the loss.

Rep. Harp asked if the Committee shouldn't be looking at federal policy and at what OPEC is doing, when considering the impact to municipalities. Gordon Morris said he agreed.

Rep. Harrington asked what the counties' position is on this issue. Gordon Morris replied the trigger needs to be removed from I-105 by the Legislature.

Rep. Harrington asked if the Lottery accomplished this action. Gordon Morris replied the lottery bill has no relationship to I-105, because it passed before I-105 did. He added that he has no opinion, since he is not an attorney.

CLOSING ON SENATE BILL NO. 71: Sen. Gage advised the counties will be in no different position with or without SB 71, and said the net proceeds bill that passed the Senate on March 11, pertains only to new production after December 31, 1986, and does not affect current tax revenue received by the counties.

CONSIDERATION OF SENATE BILL NO. 47: Sen. Del Gage, Senate District #5, sponsor of SB 47, said that since 1982, the Blackfeet Tribe has been taxing oil and gas on the Reservation, as has the state. He explained that action resulted in double taxation for those producers, and said the Tribe now has an additional tax proposal.

Sen. Gage advised that tribal governments act as sovereign national and have the right to tax. He stated the bill allows for a cooperative agreement between tribal governments and state government to assess and collect a tax on the same property. He said the bill is an opportunity to alleviate double taxation, and that the Blackfeet have had a severance tax, as well as an R.I.T. tax, since 1982.

Sen. Gage warned that there will be more protested taxes and court cases if this situation is not addressed. He told the Committee he asked for an opinion on whether tribal taxes preempt state or local taxes, and found this is still an issue. Sen. Gage said that in Arizona, the state is prevented from putting hunting and fishing license requirements on reservations, and that the bill is more necessary now that the Legislature is addressing local option taxes.

Sen. Gage stated he believes SB 47 is a good bill, as it does not mandate agreements, but provides that they may be entered into. He provided copies of proposed amendments (Exhibit #7).

PROPONENTS OF SENATE BILL NO. 47: Dave Woodyard, Chief Counsel, DOR, said the bill is an alternative to litigation, and that cooperation and coordination is a better way to begin to resolve this issue. Mr. Woodyard also provided proposed amendments (Exhibit #8).

Caleb Shields, Assiniboine/Sioux Tribe at Fort Peck, said he supported the concept of revenue sharing, and that the only losers would be the state and the tribes, because double

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Mar 12

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN			✓
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

EXHIBIT
DATE 3-12-87
SB 71

MISSOULA

OFFICE OF THE CITY ATTORNEY

201 W. SPRUCE • MISSOULA, MT 59802-4297 • (406) 721-4700

March 11, 1987 87-152

Representative Jack Ramirez
House Taxation Chairman
House of Representatives
Montana State Capitol
Helena, Montana 59620

Senator Delwyn Gage
Montana State Senate
Montana State Capitol
Helena, Montana 59620

Re: Concern that SB-71 does not sufficiently deal with the legal issues created by I-105

Dear Representative Ramirez and Senator Gage:

The purpose of this letter is to express the concern of Montana League of Cities and Towns officials and the City of Missoula that SB-71 does not sufficiently deal with the legal issues created by I-105.

There is much uncertainty throughout Montana as to the correct interpretation and application of many aspects of Initiative I-105. The Montana League of Cities and Towns at its annual meeting September 19, 1986 adopted a resolution identifying several serious problems associated with the application and administration of Initiative 105 if it was adopted, and instructed Montana League of Cities and Towns officials to work with the 1987 State Legislature to have these problems addressed.

Several legislative bills pending before the Montana State Legislature do attempt to deal with the many uncertainties associated with the interpretation and application of Initiative 105. The best example of a legislative bill that attempts to deal with these many uncertainties is HB-575. HB-575 attempts to deal with many of the uncertainties associated with the correct interpretation and application of Initiative 105 by providing direction to the Department of Revenue and local government units so that they may function smoothly pursuant to Initiative 105. Examples of clairification provided by HB-575 that SB-71 fails to address pertain to such items as: (1) the tax status of property transferred into another taxing jurisdiction; (2) the tax status of property transferred from tax exempt status to private taxable ownership status; (3) satisfaction of court judgments; (4) special improvement districts; (5) levies pledged for the repayment of bonded indebtedness, especially tax increment bonds; and (6) city street maintenance districts, etc. Some of these issues should be of concern to the State of Montana as well with respect to their state property tax assessments.

Senate Bills 381 and 386 are additional examples of legislation introduced during this session that attempt to deal with the aforementioned type of concerns of Montana League of Cities and Towns officials.

3/12/87
SB 71

Information Sheet on Senate Bill 71

Initiative 105 DID NOT freeze taxes on all classes of property.

SENATE BILL 71 would ameliorate this problem by freezing the mill levy to which NET AND GROSS PROCEEDS TAXES are applied at 1986 levels.

Without passage of SENATE BILL 71, these production taxes could be increased, resulting in a DISINCENTIVE to mineral production.

Passage of SENATE BILL 71 would provide the mineral industry with TAX EQUITY under the law.

VISITORS' REGISTER

HOUSE TAKATION COMMITTEE

EXHIBIT 3-12-87
SB 71

BILL NO. SB 71 DATE 3-12-87

SPONSOR GAGE

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Hank Hudson	MHCA		
Bill Mercer	MT Assoc of Realtors	✓	
Ben Havdahl	MT Motor Carriers Assn	✓	
Don Allen	Mt. Wood Products Assn	✓	
Phil Campbell	MEA		✓
Doug Abelin	Montana Oil & Gas	✓	
Don Ingels	Mt Chamber of Commerce	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

DISPOSITION OF SENATE BILL NO. 64: Rep. Ream made a motion that SB 64 BE CONCURRED IN. Chairman Ramirez commented that it does not appear any amendments are necessary.

The motion made by Rep. Ream CARRIED unanimously.

Chairman Ramirez made a motion to reconsider to amend the bill to require that a business meet preliminary requirements prior to applying for assistance. The motion to reconsider CARRIED unanimously.

Rep. Sands made a motion to eliminate section 3, on page 14 of the bill, and said it should not single out one area for such a property tax break. He then amended his motion to three years.

Chairman Ramirez advised he would oppose the motion as this kind of break could lead to new jobs and other industries, long term.

Rep. Sands stated the tax structure is supposed to be broad-based and equitable, and asked if Rep. Dave Brown did not have a bill addressing this situation. Greg Petesch advised that Rep. Brown's bill passed, and required a certain dollar amount for expansion and for new business.

Rep. Sands changed his motion to strike section 3 completely. The motion CARRIED, with all members voting aye, except Reps. Ream and Ramirez, who voted no.

Rep. Sands made a motion that SB 64 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously.

CONSIDERATION OF SENATE BILL NO. 71: Greg Petesch provided copies of proposed amendments (Exhibit #1).

Chairman Ramirez advised the Committee that the proposed amendments would turn SB 71 into a carbon copy of Rep. Kadas' bill, which didn't make transmittal, and made a motion that SB 71 BE CONCURRED IN and a second motion that the proposed amendments be approved. The motion to amend CARRIED unanimously.

Chairman Ramirez made a motion that SB 71 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 74: Rep. Sands made a motion that SB 74 BE CONCURRED IN.

Rep. Harp said the bill does not affect PERS (public employees retirement system) people at all and brings

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date April 6, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON			✓
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE			✓
REP. WILLIAMS	✓		

CS-30

STANDING COMMITTEE REPORT

APRIL 6 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 571

☐ do pass ☒ be concurred in ☒ as amended
☐ do not pass ☐ be not concurred in ☐ statement of intent attached

Representative Jack Ramirez, Chairman

be amended as follows:

1. Title, line 8.
Following: "MCA;"
Insert: "CLARIFYING PROVISIONS OF INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA;"

~~2. Title, line 9.~~
Following: "PROVIDING"
Strike: "A CONTINGENT"
Insert: "AN IMMEDIATE"

3. Title, line 29
Following: "DATE"
Insert: ", A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE"

4. Page 1.
Following: line 9
Insert: "WHEREAS, the electors of Montana approved Initiative No. 105, limiting certain property taxes to 1986 levels unless the Legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources; and

WHEREAS, Initiative No. 105 was not intended by its drafters and proponents to encompass the numerous interconnecting statutory provisions that would require amendment to facilitate implementation of the measure; and

WHEREAS, it is the intent of the Legislature to enact provisions compatible with the will of the electors in limiting certain property taxes to 1986 levels while providing procedures to enable the Department of Revenue and local government units to function smoothly under such limits."

THIRD reading copy (BLUE color)

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Page 1, line 21 through line 2, page 3.
Following: the enacting clause
Strike: the remainder of the bill
Insert: "Section 1 . Declaration of policy -- clarification -- extension to all property classes. [Section 1 of Initiative No. 105] is interpreted, clarified, and extended as follows:

(1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in [Initiative No. 105], the limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The policy declaration in [subsection (5) of section 1 of Initiative No. 105] that no further property tax increases be imposed is interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986.

(3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986.

Section 2 . Property tax limited to 1986 levels -- clarification -- extension to all property classes. [Section 2 of Initiative No. 105] is interpreted and clarified as follows:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

(3) The limitation on the amount of taxes levied does not mean that no further increase may be made in the total taxable valuation of a taxing unit as a result of:

Representative Jack Ramirez, Chairman

Chairman.

STATE PUB. CO.
Helena, Mont.

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(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) construction, expansion, replacement, or remodeling of improvements that adds value to the property;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

(5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

Representative Jack Ramirez
Chairman.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by [Initiative No. 105], except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in [Initiative No. 105], while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of [Initiative No. 105]:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) electric company street lighting assessments; and

Representative Jack Ramirez,
Chairman.

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(h) revolving funds to support any categories specified in this subsection (8).

Section 3 . Codification instruction. Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 10, and the provisions of Title 15, chapter 10, apply to sections 1 and 2.

Section 4 . Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 5 . Effective date -- applicability. (1) This act is effective on passage and approval.

(2) This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986.

Section 6 . Termination. This act terminates December 31, 1989."

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Representative Jack Ramirez,
Chairman.

STATE PUB. CO.
Helena, Mont.

4-6-87
SB 71

Amend Senate Bill No. 71, Third Reading Copy

1. Title, line 8.
Following: "MCA;"
Insert: "CLARIFYING PROVISIONS OF INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA;"

2. Title, line 9.
Following: "PROVIDING"
Strike: "A CONTINGENT"
Insert: "AN IMMEDIATE"

3. Title, line 10.
Following: "DATE"
Insert: ", A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE"

4. Page 1.
Following: line 9
Insert: "WHEREAS, the electors of Montana approved Initiative No. 105, limiting certain property taxes to 1986 levels unless the Legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources; and

WHEREAS, Initiative No. 105 was not intended by its drafters and proponents to encompass the numerous interconnecting statutory provisions that would require amendment to facilitate implementation of the measure; and

WHEREAS, it is the intent of the Legislature to enact provisions compatible with the will of the electors in limiting certain property taxes to 1986 levels while providing procedures to enable the Department of Revenue and local government units to function smoothly under such limits."

5. Page 1, line 12 through line 2, page 3.
Following: the enacting clause
Strike: the remainder of the bill
Insert: "Section 1 . Declaration of policy -- clarification -- extension to all property classes. [Section 1 of Initiative No. 105] is interpreted, clarified, and extended as follows:

(1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in [Initiative No. 105], the limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The policy declaration in [subsection (5) of section 1 of Initiative No. 105] that no further property tax increases be imposed is

interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986.

(3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986.

Section 2 . Property tax limited to 1986 levels -- clarification -- extension to all property classes. [Section 2 of Initiative No. 105] is interpreted and clarified as follows:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

(3) The limitation on the amount of taxes levied does not mean that no further increase may be made in the total taxable valuation of a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) construction, expansion, replacement, or remodeling of improvements that adds value to the property;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

(5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by [Initiative No. 105], except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in [Initiative No. 105], while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(8) The limitation on the amount of taxes levied does not apply to the following levy or

special assessment categories, whether or not they are based on commitments made before or after approval of [Initiative No. 105]:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) electric company street lighting assessments; and

(h) revolving funds to support any categories specified in this subsection (8).

Section 3 . Codification instruction. Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 10, and the provisions of Title 15, chapter 10, apply to sections 1 and 2.

Section 4 . Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 5 . Effective date -- applicability. (1) This act is effective on passage and approval.

(2) This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986.

Section 6 . Termination. This act terminates December 31, 1989.

-End-"

jhl/e:sb71am.txt